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September 7, 2010

VIA ECF

Honorable Morris Stern, U.S.B.J.
United States Bankruptcy Court, District of New Jersey
Martin Luther King Jr. Federal Building
50 Walnut Street
Newark, New Jersey 07102

Re: In re Connolly Properties, Inc., No. 09-44498 (MS)
Hearing Date: September 14, 2010, at 10:00 a.m.

Dear Judge Stern:

On behalf of Connolly Properties, Inc. ("CPI"), we respectfully submit this letter in response to the motion filed by the Office of the United States Trustee ("UST") to convert, or in the alternative to dismiss, CPI's chapter 11 case (the "Motion"). While CPI is not opposing the Motion, it does seek to clarify certain issues raised in the Motion, and to seek certain relief ancillary to the Motion.

By way of an update on the remaining CPI-related bankruptcy cases, we wish to note as follows:

- During the status conference on July 16, 2010, we informed the Court that nine real-estate closings were scheduled to occur within the upcoming sixty days. CPI and its professionals have put prodigious efforts into making those closings happen, and to date, closings have occurred in the following seven cases: (1) Cornell-Pingry Arms, L.L.C., (2) Executive Arms, L.L.C., (3) Green Brook Village, L.L.C., (4) Central Avenue Apts., L.L.C., (5) Liberty Arms, L.L.C., (6) Netherwood Village, L.L.C., and (7) Watchung Gardens, L.L.C.

- The two remaining closings – in the 609 Madison Avenue, L.L.C., case, and in the jointly administered cases of Fulton-Harrison, L.L.C., et al. – are tentatively scheduled to take place prior to the end of September 2010. Currently, the Fulton Harrison closing is scheduled to take place on September 15, 2010, and 609 Madison is tentatively scheduled for the following week.

With that information in mind, we respectfully request that in the event that the Court grants the UST's Motion, that it make the conversion effective as of October 1, 2010. That relief will not prejudice any parties-in-interest in CPI's bankruptcy case because CPI's lease of its business headquarters does not expire until September 30, 2010. CPI believes that the extra two

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weeks of operation will enable it to complete the remaining two closings, which will inure to the benefit of all parties in the Connolly cases as a whole. In addition, as a practical matter, the additional 14 days will, at the very least, allow the Fulton Harrison closing to occur. As the Court is aware, the sale for these properties has been pending since April 2010.

Thank you for the Court's consideration of this matter.

Respectfully,

A handwritten signature in black ink, appearing to read "Thomas M. Walsh", written in a cursive style.

Thomas M. Walsh